

SUBCOMMITTEE NO. 1

EDUCATION

Jack O'Connell, Chair

John Vasconcellos

Bob Margett

Wednesday May 1, 2002

1:30 p.m. — Room 2040

I. Intersegmental Issues

1. Student Overview Comments and Presentation

- Chris Acuna, Policy Director, CalSACC
- Kenneth Burch, Chair, University of California Student Association
- Brandon Kline, Legislative Affairs Director, California State Student Association

2. Year Round Operations Page 2

3. Institutional Financial Aid..... Page 3

II. University of California

1. UC Merced – Support Budget..... Page 5

2. Student Outreach Page 6

3. Update on Compensation and Collective Bargaining Page 6

III. California State University

1. Conversion of Governor's Teaching Fellowships to APLE Awards Page 7

2. Update on Compensation and Collective Bargaining Page 8

IV. California Community Colleges

1. Chancellor's Office – State Operations Budget..... Page 9

2. Categorical Program Reductions and Proposed Consolidation Page 10

3. Partnership for Excellence Page 12

4. Enrollment Growth Page 13

V. Consent..... Page 14

Intersegmental Issues

1. OVERVIEW PRESENTATIONS BY STUDENT ASSOCIATIONS (INFORMATIONAL ONLY)

2. YEAR-ROUND OPERATIONS (BACKGROUND)

Since 1998-99, the Legislature has strongly encouraged the University of California (UC) and the California State University (CSU) to serve more students during the summer. Expanding summer operations has the benefit of significantly increasing the UC's and CSU's enrollment capacity while reducing out-year costs associated with constructing new classrooms and campuses. Additionally, it increases students' access to high demand campuses and allows students, if they desire, to accelerate their time to degree. It even offers faculty greater flexibility in managing their workload, because they can select the terms they wish to work, without increasing their overall workload.

Prior to the 2000-01 Budget Act, most campus summer session programs were "self-supporting" whereby students paid the full cost of instruction. As a result fee levels were high and the cost acted as a deterrent for students to enroll in the summer. In order to remedy this situation, Chapter 83, Statutes of 2000 (Assembly Bill 2409, Migden) prohibited UC and CSU from charging students more in the summer than during the other academic terms, and the 2000-01 Budget Act provided funding (\$33.7 million; \$13.8 million for UC and \$19.9 million for CSU) to reduce the cost of summer session fees paid by the students. While this funding served the purpose of reducing student fee levels, the appropriation was not sufficient to provide the university systems with the support necessary to "fully subsidize" the summer students at the same rate as other term students.

In 2001-02, the Budget Act provided \$33.1 million in additional funding to "fully subsidize" (at the marginal cost of enrollment) students at three UC campuses (Berkeley, Los Angeles and Santa Barbara) and four CSU campuses (Fullerton, Long Beach, San Diego, and San Francisco). This funding was sufficient to provide campuses with the full marginal cost rate for all existing summer session students. In order to ensure that student enrollments in summer grew, the Legislature adopted (and the Governor approved) Budget Bill language that made the summer session funding contingent upon the university's meeting specified summer term enrollment growth targets.

The 2002-03 Governor's Budget proposes to continue expanding year-round operations by providing marginal cost funding to subsidize students at UC Davis (\$7.4 million) and CSU Chico (\$1.2 million).

A. UPDATE ON YEAR ROUND OPERATIONS AT UC AND CSU (INFORMATIONAL ITEM) Given the expansion of summer operations in recent years, the Legislative Analyst recommends that UC and CSU provide an update on the implementation of year-round operations.

B. FUNDING FOR SUMMER ENROLLMENTS AT DAVIS AND CHICO CAMPUSES (ACTION ITEM). The Governor's 2002-03 Budget proposes to continue expanding year-round operations by providing funding (at the marginal cost of instruction) to fully-subsidize summer session students at UC Davis (\$7.4 million) and CSU Chico (\$1.2 million). The Legislative Analyst generally supports this augmentation with the following caveats: (1) The LAO believes the appropriation to CSU should be reduced by \$180,000 due to a disagreement with the CSU over the marginal cost calculation and (2) the LAO recommends that the committee adopt Budget Bill Language linking the appropriation for year-round operations to enrollment growth.

Staff recommends that the committee adopt the recommended Budget Bill Language (to be distributed by the LAO), and approve the appropriation of \$7.4 million for UC and \$1.2 million for CSU.

ACTION:

3. INSTITUTIONAL FINANCIAL AID (BACKGROUND)

Financial assistance for students comes in many forms and is offered by many entities. The major forms of financial assistance for postsecondary students includes grants (scholarships and fellowships), loans, work study, and investment accounts. The major providers of financial assistance are the federal government, state government, universities, and private benefactors.

The state of California provides student financial aid through the Cal Grant Program, university-based institutional aid, and Governor's Merit Scholarships. Each of the public university systems administers its own financial assistance programs using dollars derived from student fees or the state General Fund. Institutional aid programs total approximately \$172 million at the UC and \$122 million at the CSU (including the reductions proposed by the Governor's Budget).

A. PROPOSED REDUCTION TO INSTITUTIONAL FINANCIAL AID (ACTION ITEM). The Governor's 2002-03 Budget proposes to reduce the UC and CSU need-based institutional financial aid programs by \$17 million and \$14.5 million respectively. The Administration states that the reduction responds to the "excess" financial aid funds that remained at both the UC and the CSU after the state statutorily reduced student fees by five percent in 1998-99 and 1999-2000. During these years the state could have reduced the CSU and UC financial aid budgets on the assumption that lower fees resulted in less financial need on the part of students, but the Governor and the Legislature chose not to make those reductions. The Governor's proposal now recaptures those funds.

While the LAO doesn't specifically make a recommendation on this reduction, staff notes that of the \$30 million in ongoing reductions proposed for the UC, and \$26 million of reductions at CSU, more than half of those dollars are coming from the financial aid program, which directly impacts students' access to postsecondary education. However, given the condition of the state General Fund and the fact that financial aid was not reduced when fees were reduced, staff recommends that this reduction be approved and that the committee adopt Supplemental Report Language asking the UC and CSU to report annually on the expenditure of institutional financial aid funds (language to be provided by the LAO).

ACTION:

B. TRANSFER OF UC AND CSU FINANCIAL AID FUNDS TO CAL GRANT PROGRAM (ACTION ITEM). The Legislative Analyst recommends that the Legislature redirect the monies currently designated for UC and CSU institutional financial aid to the competitive Cal Grant programs in order to create a statewide financial aid policy that is consistent and objective. Specifically, the Analyst believes this shift is necessary because: (1) the state can directly offset increases in student fees through the Cal Grant program; (2) statewide programs have shown better performance; (3) competitive Cal Grant programs are only meeting the needs of one in four qualified applicants; and (4) the state, not the systems, should determine how state resources designated for financial aid are distributed across financially-needy students.

Staff notes a variety of concerns with the LAO's, and would suggest that ultimately, the distribution of financial aid is likely to shift away from a centralized model to a decentralized, campus-based approach. Specifically, the LAO's proposal: (1) fails to recognize that the institutional financial aid dollars are derived primarily from student fees. It does not seem appropriate to move UC or CSU student fee money to the Student Aid Commission for Cal Grants to other student populations. (2) LAO's proposal moves dollars that may be used to support graduate students (at both the UC and CSU) to a program that only supports undergraduates; thereby removing one of the only sources of financial assistance for graduate students at the CSU; and (3) Redirecting funds to the Cal Grant program takes away the ability of campus financial-aid officers to work with and meet the needs of individual students. Many times students have unanticipated

financial needs or needs that aren't reflected in their student aid application from the prior spring. Moving the campus dollars to the Cal Grant program makes it impossible for students to work with their financial aid administrators, mid-year, to make changes and receive additional needed aid. Further, the redirection removes the ability of the campus financial aid officers to "package" financial aid so that students receive a mixture of grants, loans and work-study.

Staff recommends that the committee adopt Supplemental Report Language requesting that CPEC convene a task force to undertake a study of alternative delivery approaches for the Cal Grant Programs and submit a report to the appropriate parties early in 2003.

ACTION:

II. 6440 University of California

Following is a summary of the major components of the University of California's budget, including current year reductions.

| | |
|---|----------------------|
| University of California | |
| Governor's General Fund Budget Proposals | |
| | <i>(in millions)</i> |
| 2001-02 Budget Act | \$3,357.7 |
| <i>November revision reductions</i> | |
| • Ongoing reduction for natural gas costs | -25.0 |
| • Ongoing reduction in funds for Professional Development Institutes | -6.0 |
| • Eliminate one-time funds for teaching hospitals (a) | -5.0 |
| Baseline funding adjustments | |
| • PERS rate adjustment | 0.1 |
| • Transfer funds for Institutes for Science and Innovation from capital outlay budget | 5.0 |
| 2001-02 Revised Budget | \$3,326.8 |
| • Reduction of one-time expenditures in 2001-02 | -77.5 |
| Proposed increases | |
| • 1.5 percent base increase (b) | 47.6 |
| • Enrollment growth (4 percent) | 63.8 |
| • Enhance summer courses | 8.4 |
| • Increased costs of annuitant health and dental benefits | 14.0 |
| • Lease revenue bond payments | 5.0 |
| • One-time funds for UC and Governor's initiatives (c) | 8.8 |
| Subtotal | 147.7 |
| Proposed reductions | |
| • Savings from excess financial aid funds provided in prior years | -17.0 |
| • Reduce funding for various outreach programs | -4.2 |
| • Reduce funding for Subject Matter Projects | -4.0 |
| • Reduce funding for K-12 Digital California Project | -4.9 |
| Subtotal | -30.1 |
| 2002-03 Proposed Budget | \$3,367.1 (d) |
| Change from 2001-02 revised budget | |
| • Amount | \$40.2 |
| • Percent | 1.2% |
| a Chapter 1, Statutes of 2002 (SB 1xxx, Peace), restored these funds. | |
| b The 1.5 percent augmentation is on an adjusted base of about \$3.2 million that excludes one-time expenditures and includes other adjustments. | |
| c Initiatives include: recruiting faculty at UC Merced (\$4 million) and support for the California Institutes for Science and Innovation (\$4.75 million). | |
| d Total may not add due to rounding. | |

1. **UC MERCED (ACTION ITEM)** The Governor's Budget includes an additional \$4 million (one-time General Fund) to support the recruitment and hiring of faculty for the new Merced campus, bringing the total level of support for the Merced campus (not including capital outlay) to \$13.9 million. The Merced campus is scheduled to open in 2004-05 and intends to have a total of 60 faculty hired and in place when the campus opens. To-date no faculty have been hired, but the UC plans to hire 20 permanent faculty beginning in 2002-

03 and an additional 20 faculty in both 2003-04 and 2004-05. The Legislative Analyst recommends that these funds be deleted due to the fact that the UC has yet to spend the \$2 million appropriated in the current year for this purpose. Staff recommends that the support budget for UC Merced be Approved As Budgeted.

ACTION:

2. STUDENT OUTREACH PROGRAMS (BACKGROUND)

In 1995, the UC Regents approved SP-1, a policy that prohibited campuses from using race, religion, sex, color, ethnicity, or national origin as criteria in granting admission. The policy became effective January 1, 1997. In 1996-97, largely in response to the new environment created by SP-1, UC began a major initiative to improve and expand student outreach efforts in order to increase the population of disadvantaged K-12 students that are eligible for admission to the UC.

The UC received substantial augmentations to its K-12 outreach budget to implement this post SP-1 strategy. Prior to the implementation of this comprehensive outreach strategy, the UC spent approximately \$14 million on outreach efforts (in 1997-98). Since then, funding for UC's outreach programs has reached \$66.9 million (in the current year). These augmentations have allowed UC to expand student academic programs and to implement a number of new initiatives which broaden the scope of K-12 outreach.

A. PROPOSED OUTREACH REDUCTIONS (ACTION ITEM) The Governor's 2002-03 Budget reduces the funding level of UC's student outreach programs by \$4.2 million; the reduction will result in the elimination, consolidation or scaling back of eight smaller outreach programs (please see LAO handout). Staff notes that UC is currently working on reconfiguring which programs will be impacted by the reductions. The Legislative Analyst and staff recommend that this reduction be approved; staff further recommends that UC report back to committee, as part of the May Revision, on which specific programs will be impacted by the reductions.

ACTION:

B. CONSOLIDATION OF OUTREACH PROGRAMS – LAO PROPOSAL (INFORMATIONAL ITEM) As part of its Analysis of the Budget Bill, the Legislative Analyst recommends consolidating existing outreach programs and, in certain cases, redirecting funding for certain outreach programs to schools and districts. Staff notes that UC has stated it is actively working internally to consolidate programs with the goal of better delivering outreach services and eliminating administrative and programmatic redundancy. Staff recommends that the UC verbally report to the committee on the potential for consolidation or integration of existing outreach programs.

C. EVALUATION OF OUTREACH PROGRAMS (INFORMATIONAL ITEM) The annual Budget Act appropriates approximately \$1.5 million annually (beginning in 1998-99) to the UC to conduct an evaluation of its student outreach efforts. The LAO notes that the availability of data on the effectiveness of the program is vital to understanding the value of the state's outreach efforts and its monetary commitment to the programs. To meet this end, the LAO and Staff recommend that UC report during the hearing on the status of its evaluation efforts.

3. UPDATE ON COMPENSATION AND COLLECTIVE BARGAINING ISSUES (INFORMATIONAL ITEM)

III. California State University

| | |
|---|----------------------|
| California State University | |
| Governor's General Fund Budget Proposals | |
| | <i>(in millions)</i> |
| 2001-02 Budget Act | \$2,607.4 |
| Baseline funding adjustments | |
| • Carryover/Reappropriation | 35.8 |
| • PERS employer rate increase | 84.2 |
| • Ongoing reduction for natural gas costs | -20.0 |
| 2001-02 Revised Budget | \$2,707.5 |
| Baseline funding adjustments | |
| • Reductions for one-time current-year appropriations | -18.9 |
| • Carryover/Reappropriation | -35.8 |
| Proposed Increases | |
| • 4 percent enrollment growth (12,030 FTE) | 78.1 |
| • 1.5 percent base increase | 37.7 |
| • Support for summer term at Chico | 1.2 |
| • Other | 1.0 |
| <i>Subtotal</i> | <i>(118.0)</i> |
| Proposed Reductions | |
| • Financial Aid Adjustment | -14.5 |
| • Education Technology Professional Development Program | -6.5 |
| • CalTEACH Teacher Recruitment | -5.0 |
| • Other | -9.1 |
| <i>Subtotal</i> | <i>(-35.1)</i> |
| 2002-03 Proposed Budget | \$2,735.6 |
| Change from 2001-02 revised budget | |
| • Amount | \$28.2 |
| • Percent | 1.0% |

1. GOVERNOR'S TEACHING FELLOWSHIPS (ACTION ITEM).

The CSU administers the Governor's Teaching Fellowship program, which was established in 2000. The Governor's budget includes a total of \$21.1 million for the program in the budget year. The program offers non-renewable \$20,000 grants to meritorious students enrolled in teacher-education programs. The CSU issues 1,000 fellowships each year. The Student Aid Commission administers a similar program, the Assumption Program of Loans for Education (APLE), which offers up to \$19,000 in loan forgiveness to meritorious students enrolled in teacher-education programs. The Student Aid Commission annually awards 6,500 loan forgiveness warrants. The Legislative Analyst is recommending that the committee convert the Governor's Teaching Fellowships into APLE awards, allowing the Student Aid Commission to issue an additional 1,000 warrants. The LAO notes that this conversion would help the same number of students and reduce administrative costs. Further, the LAO notes that since loan assumption costs associated with the APLE program won't materialize until after budget year (2002-03), this proposal would save \$21.1 million in 2002-03.

Staff notes that the implementation of this recommendation would require either legislation or Budget Bill Language to override current statute. Although this issue would best be addressed in the policy committee process, given the condition of the General Fund, staff recommends that the committee place this option on

the “checklist” pending the May Revision and request that the LAO draft both the statutory language and Budget Bill Language necessary to implement this recommendation.

ACTION:

2. UPDATE ON COMPENSATION AND COLLECTIVE BARGAINING ISSUES (INFORMATIONAL ITEM)

IV. California Community Colleges

| Figure 1 | | | | | |
|---|-------------------|----------------------|---------------------|----------------|-------------|
| Community College Budget Summary | | | | | |
| <i>(Dollars in Millions)</i> | | | | | |
| | Actual 2000-01 | Estimated 2001-02 | Proposed 2002-03 | Change | |
| | | | | Amount | Percent |
| Community College Proposition 98^a | | | | | |
| General Fund | \$2,640.9 | \$2,806.1 | \$2,727.8 | -\$78.4 | -2.8% |
| Local Property Tax | 1,711.5 | 1,855.3 | 2,001.9 | 146.6 | 7.9 |
| Subtotals, Proposition 98 | (\$4,352.3) | (\$4,661.5) | (\$4,729.7) | (\$68.2) | (1.5%) |
| Other Funds | | | | | |
| General Fund | | | | | |
| State operations | \$12.4 | \$13.3 | \$11.6 | -\$1.7 | -12.8% |
| Teachers' retirement | 68.6 | 66.3 | 70.9 | 4.6 | 7.0 |
| Bond payments | 81.7 | 93.0 | 108.5 | 15.6 | 16.7 |
| Other state funds | 12.4 | 11.9 | 9.1 | -2.8 | -23.6 |
| State lottery funds | 121.0 | 138.1 | 138.1 | — | — |
| Student fees | 154.7 | 162.4 | 167.3 | 4.9 | 3.0 |
| Federal funds | 201.7 | 216.2 | 219.4 | 3.2 | 1.5 |
| Other local | 775.3 | 831.0 | 843.3 | 12.2 | 1.5 |
| Subtotals, Other funds | (\$1,427.6) | (\$1,532.3) | (\$1,568.2) | (\$36.0) | (2.3%) |
| Grand Totals | \$5,780.0 | \$6,193.8 | \$6,297.9 | \$104.2 | 1.7% |
| Students | | | | | |
| Enrollment | 1,565,087 | 1,683,933 | 1,734,451 | 50,518 | 3.0% |
| Full-time equivalent (FTE) | 1,031,206 | 1,062,142 | 1,094,006 | 31,864 | 3.0 |
| Amount Per FTE Student | | | | | |
| Proposition 98 | \$4,221 | \$4,389 | \$4,323 | -\$65 | -1.5% |
| All funds | 5,605 | 5,831 | 5,757 | -75 | -1.3 |
| ^a Expenditures, including Reversion Account funds. | | | | | |

3. **STATE OPERATIONS – CHANCELLOR’S OFFICE (ACTION ITEM).** The Governor’s Budget proposes to reduce the state operations funding for the Community Colleges Chancellor’s Office by \$1.2 million and 15.5 positions. Like traditional state agencies, but unlike its other higher education colleagues, the Community Colleges Chancellor’s Office is required to obtain the approval of the Department of Finance and Department of Personnel Administration prior to deleting positions, obtaining an exemption to the statewide “hiring freeze,” reclassifying a position, or adding a new position. The Chancellor’s Office contends that the lack of administrative flexibility will make it difficult to rapidly respond to the categorical program reductions and has in turn requested that the committee take action to grant it the flexibility to determine the exact nature of how the \$1.2 million and 15.5 position reductions will be achieved. To meet this end, the Community College Chancellor’s office intends to present the committee with a specific recommendation on this matter.

ACTION:

| Figure 3 | |
|--|------------------|
| Governor's Community College Budget Proposals | |
| Proposition 98^a | |
| <i>(In Millions)</i> | |
| 2001-02 (revised) | \$4,547.9 |
| Enrollment growth—3 percent | |
| Apportionments | \$114.3 |
| Selected categorical programs | 5.9 |
| Subtotal | (\$120.2) |
| Cost-of-living—2.15 percent | |
| Apportionments | \$84.4 |
| Selected categorical programs | 4.4 |
| Subtotal | (\$88.8) |
| Proposed new spending | |
| Replace Reversion Account money in current year with new Proposition 98 funds for ongoing programs | \$91.2 |
| Scheduled maintenance and repairs | 9.1 |
| Instructional equipment and library materials | 11.1 |
| Subtotal | (\$111.4) |
| Proposed reductions | |
| CalWORKs | -\$50.0 |
| Matriculation | -26.8 |
| Telecommunications and technology programs | -19.8 |
| Fund for Student Success | -10.0 |
| Economic development program | -9.9 |
| Faculty and staff development program | -5.2 |
| Subtotal | (\$121.7) |
| Adjustments | |
| Lease purchase costs | -\$24.8 |
| Other (including current-year savings) | -37.9 |
| Subtotal | (\$62.7) |
| 2002-03 (proposed) | \$4,683.9 |
| Change from 2001-02 (revised) | |
| Amount | \$136.0 |
| Percent | 3.0% |
| ^a 2002-03 appropriations only; excludes Proposition 98 Reversion Account funding. | |

1. COMMUNITY COLLEGE CATEGORICAL PROGRAMS

The Governor's Budget proposes to decrease, by a total of \$121.7 million, the following six categorical programs: (1) Services to CalWORKs recipients - \$50 million; (2) Matriculation - \$26.8 million; (3) Telecommunications and Technology - \$19.8 million; (4) Fund for Student Success - \$10 million; (5) Economic Development - \$9.9 million; and (6) Faculty and Staff Development - \$5.2 million.

- A. **LAO CATEGORICAL PROGRAM CONSOLIDATION (ACTION ITEM)** The LAO recommends that, in the aggregate, the above-noted programmatic reductions be approved; however, the LAO believes that the reductions should be accompanied by a categorical program consolidation proposal. The LAO believes that the reductions are reasonable if districts are granted flexibility in the use of the funds. Specifically, the LAO recommends developing two block grants:

(1) *Student Services Block Grant* – would include funds for (a) Financial Aid; (b) Extended Opportunity Programs and Services (EOPS); (c) Disabled Students; (d) Fund For Student Success; and (e) Matriculation.

(2) *Faculty Support Block Grant* – would include funds for (a) Instructional Improvement; (b) Faculty and Staff Diversity; (c) Part-Time Faculty Compensation; (d) Part-Time Faculty Office Hours; (e) Part-Time Faculty Health Insurance; and (f) Faculty and Staff Development.

Staff recommends that the committee request that the California Community Colleges, in conjunction with the various constituency groups, examine the structure of the annual Budget Act and make recommendations to the appropriate fiscal and policy committees for potential consolidation of similar categorical programs, and assess the option of enacting a Budget Act Control Section to allow the Chancellor's Office to transfer otherwise unexpended funds between categorical programs.

ACTION:

- B. **CATEGORICAL PROGRAM REDUCTIONS (ACTION ITEM)** The Governor's Budget proposes reductions (Proposition 98) in the following categorical programs: In the aggregate, the LAO recommends that these programmatic reductions be approved, primarily because reductions would not affect the community colleges' core mission of providing instruction.

(1) Services to CalWORKs recipients (-\$50 million). The Governor's Budget, as one of several actions to bring CalWORKs expenditures within the minimum funding amount required by federal law, proposes eliminating \$50 million of Proposition 98-funded community college services to CalWORKs recipients. The Administration believes that many of the services provided with these funds can now be provided by counties and/or absorbed by colleges. The budget retains \$15 million for child care expenditures for CalWORKs recipients enrolled in community college, and continues to pass through \$8 million in TANF funds. Funds for this program have been used by the community college system to cover costs for providing support services and instruction for CalWORKs students, including job placement and coordination; curriculum development and redesign; child care and work study; and instruction.

The community college system has produced an annual report, since 1997-98, on the conduct of its CalWORKs program. Their most recent report found that the community college system served 108,000 students in 1999-00. At the same time, the specific CalWORKs programs on all 108 college campuses served 47,000 students annually with direct services. This represents an increase of 73% since the beginning of welfare reform. Further, the Community College Chancellor's office has recently completed a study of outcomes for CalWORKs recipients. They have found that CalWORKs students substantially increase their earnings after exiting and increase their steady employment after exiting. Staff recommends that the proposed reductions for this program be placed on the "Checklist" pending the May Revision.

(2) Matriculation (-\$26.8 million). Community Colleges provide matriculation services to help students identify, assess and meet their educational goals. Matriculation services include enrollment, orientation, skills evaluation, counseling, referrals, and related activities. The current-year budget

provides \$76.3 million for matriculation services. The Governor's proposed 2002-03 Budget reduces this amount to \$49.5 million, which is approximately the amount provided in fiscal year 1996-97. Staff recommends that this reduction be placed on the "checklist" pending the May Revision.

(3) Telecommunications and Technology (-\$19.8 million). The Telecommunications and Technology Infrastructure Program (TTIP) supports the development and expansion of technological applications at community college campuses. Funding is divided among: (1) allocations to all community college districts for the development of computer and related information networks; (2) competitive grants for technology that improve student learning; and (3) allocations to districts to fund faculty and staff training in the use of technology. Funding for TTIP in the current year is \$44.3 million. The Governor's Budget proposes to reduce this amount to \$24.5 million, which is slightly less than the amount provided in fiscal year 1999-2000, and deletes all funding for the faculty and staff training. Staff recommends that this reduction be placed on the "checklist" pending the May Revision.

(4) Fund for Student Success (-\$10 million) The Fund for Student Success was established in 1997-98 mainly to provide competitive, limited-term grants for the development of campus programs that improve student performance. Budget Bill Language requires that competitive grant funding is available for a limited duration, after which programs initiated with Fund for Student Success grants must be absorbed by the college. In the current year, \$16.2 million is provided for this program; this amount is proposed to decrease to \$6.2 million in 2002-03. The \$6.2 million would be available for specified outreach programs, but no funding would be provided for competitive grants. Staff recommends that this reduction be placed on the "checklist" pending the May Revision.

(5) Economic Development (-\$9.9 million). Beginning in 1999-2000, the community colleges budget included additional funding for economic development programs. The amount rose from \$5.2 million in 1990-91 to \$50.2 million in 2001-02. The Governor's proposed 2002-03 budget reduces the amount available for economic development to \$40.3 million, which would provide: \$9.2 million for grants to regional business resources and centers, \$16.4 million for regional development and training program grants, \$3.6 million for economic development networks, \$5 million for job creation for public assistance recipients, \$2.1 million for Mexican International Trade Centers, and \$4 million for nursing programs. Staff recommends that this reduction be placed on the "checklist" pending the May Revision and that the committee request the LAO and community colleges to examine options for implementing the proposed \$9.9 million reduction in a manner that causes the least amount of disruption to the ongoing operations of the regional centers.

(6) Faculty and Staff Development (-\$5.2 million). Since 1992-93, the community colleges have received \$5.2 million annually for campus-based faculty and staff development. Funded activities include training, conferences, workshops, and similar development opportunities to increase the effectiveness of community college faculty and staff. The Governor's 2002-03 Budget proposes to eliminate funding for this program. Staff recommends that this reduction be placed on the "checklist" pending the May Revision.

ACTION:

- 2. PARTNERSHIP FOR EXCELLENCE (INFORMATIONAL ITEM).** The annual Budget Act provides funding for the Partnership for Excellence (PFE) program, which is established in statute and was initially designed to provide supplementary funding to the community colleges in exchange for a commitment to improve student outcomes in specified areas. Statue requires the community colleges to develop specific goals related to (1) student transfer, (2) degrees and certificates, (3) successful course completion, (4) workforce development, and (5) basic skills. The Governor's proposed 2002-03 budget contains \$300 million for this purpose.

Funding is provided to the Chancellor's Office and is then distributed to districts based on student enrollment. Districts are allowed great discretion in the use of the dollars, as long as the funds are expended in a manner that will improve student success and make progress toward the system goals.

The Legislative Analyst takes issue with this program, asserting that the PFE program has failed to meet its objectives and lacks accountability. Specifically, the LAO recommends that the Legislature either modify the PFE program by either (1) requiring that funds (or a portion of the funds) be distributed to districts based on their actual performance in meeting state goals or (2) repeal the program altogether and consolidate the \$300 million worth of funding for the PFE program into the base "apportionments" line item for the community colleges. Staff notes that the later option would essentially allow for the program to receive additional funding for growth and COLA (which DOF estimates to be approximately \$15 million annually).

As discussed above, the Governor's 2002-03 Budget proposes to reduce funding for several community college categorical programs by a total of \$121.7 million. The Administration asserts that these reductions are reasonable at least partially because districts would be able to use funding provided under the Partnership for Excellence Program to essentially "backfill" the proposed reductions.

Staff notes that the PFE program was established in statute and any programmatic changes (including its repeal) are best dealt with through the policy committee process. In addition, it is important to note that existing statute calls for the program to sunset January 1, 2005, and its continuation will require further action on behalf of the Legislature within the next two years.

3. **ADDITIONAL SUPPORT FOR ENROLLMENT GROWTH (ACTION ITEM).** The Governor's 2002-03 Budget proposes \$118.7 million to provide for a three percent growth in student enrollment and selected categorical programs. This exceeds the statutory requirement to provide a 1.94 percent increase for enrollment growth, but falls short of the 3.5 percent increase requested by the Community Colleges Chancellor's Office. If the Legislature were to fund an additional ½ percent enrollment growth the cost would be approximately \$26.2 million. Staff recommends that the committee place funding for this purpose on the "checklist" pending the May Revision. *As an additional note*, in the current year 36 community colleges state wide are overenrolled (by a total of 27,000 students) and have enrolled students for which they receive no funding. Almost half of these "unfunded" students (11,665 students) are enrolled in the Los Angeles Community College District.

ACTION:

V. Consent

Staff recommends that the following budget items be Approved as Budgeted. No issues have been raised with regard to any of these items:

6440-001-0007 – Support, University of California, payable from the Breast Cancer Research Account. \$14,729,000

6440-001-0046 – Support, University of California, Institute of Transportation Studies. Payable from the Public Transportation Account, State Transportation Fund. \$980,000

6440-001-0234 – Support, University of California, payable from the Research Account, Cigarette and Tobacco Products Surtax Fund. \$19,434,000

6440-001-0308 – Support, University of California, payable from the Earthquake Risk Reduction fund of 1996. \$1,500,000

6440-001-0321 – Support, University of California, payable from the Oil Spill Response Fund. \$1,300,000

6440-001-0814 – Support, University of California, payable from the State Lottery Education Fund. \$21,962,000

6440-001-0890 – Support, University of California, federal GEAR UP program. Payable from the Federal Trust Fund. \$5,000,000

6440-001-0945 – Support, University of California, payable from the California Breast Cancer Research Fund. \$480,000

6440-002-0001 – Support, University of California. (\$55,000,000)

6440-003-0001 – Support, University of California, payments on lease-purchase bonds. \$104,689,000

6440-004-0001 – Support, University of California. Planning and startup of Merced Campus. \$13,900,000

6440-005-0001 – Support, University of California. One-time funds to support the California Institutes for Science and Innovation. \$4,750,000

6610-001-0498 – Support, California State University, payable from the Higher Education Fees and Income, CSU Fund. \$706,091,000

6610-001-0890 – Support, California State University, payable from the Federal Trust Fund. \$27,500,000

6610-002-0001 – Support, California State University. Legislative, Executive and Judicial Fellowship Programs and Center For California Studies. \$2,887,000

6610-003-0001 – Support, California State University, payments on lease-purchase bonds. \$60,201,000.

6870-001-0574 – Support, Board of Governors California Community Colleges, Facilities Planning, payable from the 1998 Higher Education Capital Outlay Bond Fund. \$985,000

6870-001-0909 – Support, Board of Governors California Community Colleges, payable from the Community Colleges Fund for Instructional Improvement. \$10,000

6870-001-0925 – Support, Board of Governors California Community Colleges, payable from the California Business Resources and Assistance Innovation Network Fund. \$10,000

6870-101-0814 – Local Assistance, California Community Colleges, payable from the State Lottery Education Fund. \$138,089,000

6870-101-0909 – Local Assistance, California Community Colleges, payable from the Community Colleges Fund for Instructional Improvement. \$1,975,000

6870-101-0925 – Local Assistance, California Community Colleges, payable from the California Business Resources and Assistance Innovation Network Fund. \$15,000.

6870-101-0959 – Local Assistance, California Community Colleges, payable from the Foster Children and Parent Training Fund. \$2,967,000

6870-103-0001 – Local Assistance, California Community Colleges (Proposition 98), payments on lease-purchase bonds. \$37,076,000

6870-111-0001 – Local Assistance, California Community Colleges, CalWORKS services, Americorps, Foster Parent Training, Vocational Education. \$0. (all programs offset by reimbursements).

6870-295-0001 – Local Assistance, California Community Colleges (Proposition 98), Health Fees. \$1,691,000

FINANCE LETTERS:

6870-001-0001 – State Operations, California Community Colleges. Continuation of AmeriCorps Program Interagency Agreement. Increase Reimbursements by \$1,013,000 and extend 6.6 otherwise expiring personnel years.

6870-111-0001 – Local Assistance, California Community Colleges. Decrease reimbursements by \$266,000 pursuant to AmeriCorps Program Interagency Agreement.

6870-301-0574 – Capital Outlay, California Community Colleges. Increase by \$1,881,000 to reflect increases in the following capital outlay projects: (1) Orange Coast College Library, \$1,449,000; (2) West Los Angeles College Child Development Center, \$230,000; and (3) San Bernardino Valley College Art Seismic Replacement, \$202,000.

6870-301-6028 – Capital Outlay, California Community Colleges. Increase by \$4,411,000 to reflect increases in the following capital outlay projects: (1) San Mateo Community College District, Seismic Upgrade, \$1,817,000; (2) Skyline College Seismic Retrofit – Gym Bldg., \$136,000; (3) Cerritos Colleges Science and Math Complex, \$1,797,000; and (4) San Joaquin Delta College, Electron Microscopy Technology Center, \$661,000.

6870-497 – Reversion, California Community Colleges. Add Item to revert appropriations from the following projects which were budgeted in the 2000 Budget Act: (1) Orange Coast College Library Project; and (2) San Mateo Community College District, Seismic Upgrade.

ACTION: